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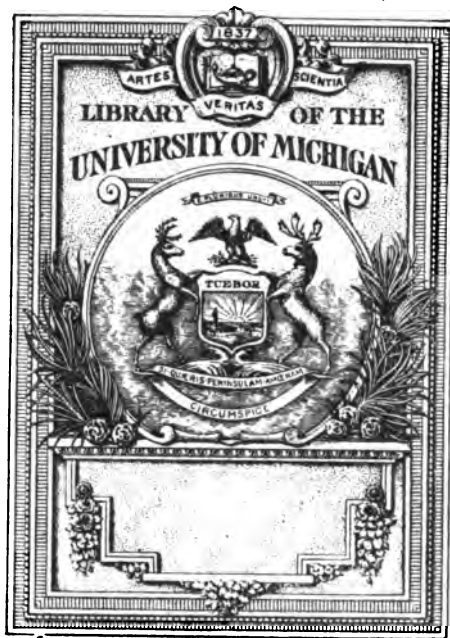
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U. S. Federal Farm Loan Bureau

How farmers may form a national farm loan association



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# HOW FARMERS MAY FORM A NATIONAL FARM LOAN ASSOCIATION

ISSUED BY THE  
FEDERAL FARM LOAN BOARD

August 19, 1916



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## **FEDERAL FARM LOAN BOARD.**

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**W. W. FLANNAGAN, *Secretary.***

## HOW FARMERS MAY FORM A NATIONAL FARM LOAN ASSOCIATION.

### WHAT THE FARM LOAN ACT PROMISES.

Farmers want cheaper money. They ought to have it. The Federal Farm Loan Act aids them to get it.

The operation of this law is under the control of the Federal Farm Loan Board. The board is the head of the Federal Farm Loan Bureau which is under the Treasury Department at Washington, D. C.

The Federal Farm Loan Act provides a way of getting mortgage loans for farmers at low rates of interest, at lengths of time to suit the borrower, and on easy terms of repayment. All farmers have to do is to form themselves into national farm loan associations. The Government will do its part in helping them. Farmers can easily form loan associations as prescribed by the new law. Let us see how this may be done.

### FARMERS ONLY NEED APPLY.

Ten farmers may unite to form a national farm loan association. That is the least number the law allows, and farmers only can be members. If more than 10 get together for this purpose, so much the better. But if only 10 farmers are willing to join an organization to borrow on farm mortgage, that number satisfies the law.

Let us suppose these 10 men are farm owners. They may all be close neighbors and know each other well. But they may live some distance from each other, though being in the same community, or district, or county. In that case they may not know each other so well. But that makes no difference. They all have the same thing in view. They want to borrow money on farm mortgages at 4, 5, or 6 per cent interest. They want the mortgages to run 5, 10, 20, or 40 years, perhaps. They want to pay the mortgage debt off a little at a time. They know this will help them and so they get together.

### CALLING A NEIGHBORHOOD MEETING.

Now, these 10 or more farmers in a community call a meeting. It may be held in a schoolhouse, a hall, a church, or in one of their houses most convenient for them all.

When the farmers have come together, they discuss the subject informally and decide to form themselves into an association to borrow money on mortgage. They appoint a committee to draw up articles of association. These articles should set forth the object of the association and the territory within which it proposes to do business. They may follow a prescribed form furnished by the land

bank, or they may be modified to suit the needs of any particular body of farmers. But nothing can be included in the articles of association that is contrary to the letter and spirit of the law.

The farmers who thus unite themselves into a national farm loan association then sign the articles. A copy of them is made to be sent to the Federal land bank of the district within which the association is situated. When the articles of association are received by the land bank they are filed for future reference.

#### APPRAISING BY A LOAN COMMITTEE.

A loan committee of three members must be appointed to pass on loans. A written report is drawn up by them after they have examined the lands. The committee examines the farms and farm lands for the purpose of appraising their value. The report of this loan committee, signed by all three members, must be sent to the land bank with the articles of association. All three members must sign the report or it will be worthless. The land bank will not consider the request for loans unless all three members sign their report about the value of the farms. Their report should state distinctly that the said committee had examined the lands and appraised their values. The lands and farms should be described, and the value of those upon which the members desire loans should be stated.

It is very important that the loan committee put a just valuation on the lands. Care should be taken not to put the valuation too high nor too low. The former would be rejected by the land bank; the latter might prevent the farmer from getting as high a loan on his farm as he wanted.

Loan committees should remember that their appraisalment is only preliminary; it is not binding on the Federal land bank of their district. For later on the land bank will send its own appraiser to fix his values on the same farms. It would be a fine thing for the members of the association if the two independent appraisements of the same farms should come close together. It would prove to the officers of the land bank that they were dealing with an upright, intelligent body of farmers. That would be a moral and intellectual credit to the community. It certainly would help their financial credit. So loan committees should be fair at the beginning. Let them fix just values on the farms of those members who are asking for loans.

The report of the loan committee should also give any other information which would help the land bank to understand conditions in that community.

#### MAKING AN AFFIDAVIT.

With the list of proposed members, the articles of association, and the report of the loan committee, an affidavit must be made out and sent to the Federal land bank. This affidavit must be signed and acknowledged by the members. It must also be signed and acknowledged by the secretary-treasurer, whose residence and post-office address must also be stated on the affidavit. This affidavit, thus signed and acknowledged by the members and the secretary-treasurer, should set forth that each subscriber is the owner of farm land,

or is about to become the owner of a farm. That is, a person in the community may not be in actual possession of a farm, but expects to be in a short time, by purchase, the owner of the particular farm described in his application; in that case he could legally join the association and become a member. The affidavit should also state that the desired loans added together amount to \$20,000 or more.

#### FARMERS ONLY CAN BE MEMBERS.

The national farm loan associations are to be organized and run by farmers and for farmers. Persons not farmers need not apply for membership; they could not legally be admitted. For the law says that no one except farmers shall be members, and no one except members can borrow. The lowest sum any farmer can borrow is \$100; the highest is \$10,000. These are the limits fixed by law.

The associations will grow by the admission of new members. After the affidavit, showing that the loans amount to \$20,000 or more, has been sent to the land bank and the farm loan association has become a corporate body through a charter being granted to it by the Federal Farm Loan Board, a farmer who wants to borrow \$100 only can be admitted to membership. In fact, there is no limit to the growth of the association after the first ten or more have become a chartered association. Any farmer may be admitted to membership who wants to borrow on farm mortgage any sum ranging from \$100 to \$10,000. In this way the national farm loan associations will grow in numbers.

#### FARMERS AS SHAREHOLDERS.

But farmers can not join without buying shares in their association. The value of the shares is fixed at the low price of \$5 each. Every farmer who becomes a member of a national farm loan association also becomes a borrower and a shareholder at the same time. For the law says that he must subscribe for stock to the amount of 5 per cent of his desired loan. If he wants to borrow \$100, he must take 1 share of stock; if \$200, 2 shares; if \$1,000, 10 shares; and if \$10,000, 100 shares.

The borrower may pay in cash for his stock at the time he applies for membership, or he may wait until his loan is received and then pay for his stock from the loan. He may, if he wishes, even add the cost of his stock to the amount of his loan, providing this does not increase his loan above 50 per cent of the appraised value of the land and 20 per cent of the permanent improvements thereon. But the owner must keep the buildings insured.

This plan of buying stock makes the national farm loan associations cooperative in character. When the farmer borrows money, the shares of stock he has to buy are held by the association as part security for his loan. But if the association prospers, dividends on his stock must be paid to the owner. When his debt is paid off, the stock owned by the borrower is canceled. That is, if a farmer has held two shares of stock he is paid \$10, the stock is canceled, and the farmer is no longer a member of the association. The payment of a debt automatically removes a farmer from membership in a national farm loan association.